

ELLIOTT & ELLIOTT, P.A.
ATTORNEYS AT LAW
1508 Lady Street
COLUMBIA, SOUTH CAROLINA 29201
selliott@elliottlaw.us

SCOTT ELLIOTT

TELEPHONE (803) 771-0555
FACSIMILE (803) 771-8010

May 8, 2013

VIA ELECTRONIC FILING

Jocelyn Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Application of Carolina Water Service, Inc. for Approval of a Bulk Sewer Service Agreement between Carolina Water Service, Inc. and Utilities, Inc. and Georgetown County Water and Sewer District
Docket No.: 2012-383-WS

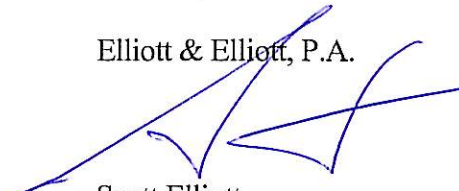
Dear Ms. Boyd:

I have enclosed the prefiled **Direct Testimony of Patrick Flynn** filed on behalf of Carolina Water Service, Inc. in the above referenced docket. By copy of this letter, I am serving all parties of record.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/mlw

Enclosures

cc: Parties of Record w/enc.

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Carolina Water Service, Inc. and Utilities,
Inc. for Approval of a Bulk Sewer Water Service
Agreement between Carolina Water Service, Inc. and
Utilities, Inc. and Georgetown County Water and Sewer
District

Docket No. 2012-383-WS

PARTIES SERVED:

Nanette S. Edwards, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201

PLEADING: Prefiled Direct Testimony of Patrick Flynn

May 8, 2013



MaryJo Lawracy
Legal Assistant

DOCKET NO. 2012-383-WS

**DIRECT TESTIMONY
OF
PATRICK FLYNN**

A. My name is Patrick C. Flynn. My business address is 200 Weathersfield Avenue, Altamonte Springs, Florida 32714.

A. I have been a Regional Director at Utilities, Inc. since 2003 and have managed as many as 22 subsidiaries of Utilities, Inc. including Carolina Water Service, Inc. which is most commonly known as Carolina Water. My duties encompass all aspects of utility operations in the Southeast Region of Utilities, Inc., which includes the states of South Carolina and Florida. My responsibilities include the management of a staff of 116 people, 42 of whom are employed in South Carolina; the development and execution of operating and capital budgets of 18 companies; supervision and support of all rate case and docket activity in my region; the representative of the utility with respect to all regulatory activities and developer agreements; and the management of a 134-unit vehicle fleet.

1

1 A. I am a 1978 graduate of the University of Virginia with a Bachelor of Arts degree in
2 Environmental Science. All told, I have 33 years of experience in the water and wastewater
3 industry. I have been a licensed operator in South Carolina, Florida, Louisiana, and Maryland.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A. My testimony will support Carolina Water's Application for the approval of a bulk sewer
6 service agreement between Utilities, Inc., Carolina Water and Georgetown Water and Sewer
7 District (or Georgetown). In addition, my testimony will explain the terms of the bulk sewer
8 service agreement and its impact on Carolina Water's customers.

9 **Q. PLEASE DESCRIBE THE TERMS OF THE BULK SEWER SERVICE**
10 **AGREEMENT WITH GEORGETOWN.**

11 A. Carolina Water and Georgetown have negotiated a bulk sewer service agreement whereby
12 Georgetown will provide bulk sewer service to the applicant through a metered connection to
13 Georgetown's wastewater collection system at a point at or near Carolina Water's existing Whites
14 Creek Wastewater Treatment Plant. Under the terms of the bulk sewer service agreement,
15 Georgetown will provide wastewater treatment and disposal service to the Applicant at a rate of
16 \$1.99 per thousand gallons for the first 2.1 million gallons per month and a rate of \$3.33 per
17 thousand gallons for volume above 2.1 million gallons per month. In addition, Carolina Water
18 has paid Georgetown \$339,000 in sewer connection fees as per Georgetown's current sewer fee
19 schedule. Carolina Water anticipates that its total cost to design, permit and construct the
20 interconnection with Georgetown will be approximately \$100,000. Utilities, Inc. has guaranteed
21 payment of the connection fees. Please see the Water Supply Agreement attached to my
22 testimony as Exhibit 1.

23 **Q. PLEASE DESCRIBE CAROLINA WATER'S SEWER SYSTEM WHICH**
24 **CURRENTLY PROVIDES SEWER SERVICE TO THE WHITES CREEK AND**

1 **LINCOLNSHIRE SUBDIVISIONS.**

2 **A.** The two subdivisions were developed around 1971 and are composed of 300 residential lots.
3 Of the 300 lots, 275 have been improved and contain single family homes. The collection system
4 serving the two subdivisions is composed primarily of vitrified clay pipe, manholes, two lift
5 stations, sewer laterals, and a wastewater treatment plant. Since acquiring the collection system,
6 Carolina Water has made improvements to the collection system at various locations including:
7 manhole lining; point repairs; pipe replacement; pipe lining; installation of elder valves and
8 cleanouts; jet cleaning and video inspections.

9 **Q. HOW DID CAROLINA WATER DETERMINE THE NEED FOR THE BULK**
10 **SEWER SERVICE AGREEMENT WITH GEORGETOWN?**

11 **A.** The South Carolina Department of Health and Environmental Control (or DHEC) issued
12 Consent Order 2012-012-W to Carolina Water in April 2012 in response to violations of water
13 quality limits contained in its current operating permit, NPDES Permit No. SC0030732, primarily
14 related to Total Chlorine Residual and Biochemical Oxygen Demand limits being exceeded on a
15 frequent basis. See attached Exhibit 2. At the time, the Whites Creek – Lincolnshire Wastewater
16 Treatment Plant (WWTP or Treatment Plant) did not have the means to remove residual chlorine
17 after the disinfection process but before discharge to the receiving stream. In addition, the
18 treatment plant did not have the means of controlling the treatment process in a routine and reliable
19 way due to the absence of an aerobic digester or sludge holding tank. Although interim upgrades to
20 the treatment plant that were completed in September 2012 brought the plant into compliance with
21 its permit, the treatment plant components are well past the end of their service life and need to be
22 replaced or substantially rehabilitated at an estimated cost of \$1 million.

23 In addition, the Waccamaw Region Section 208 Water Quality Management Plan, updated
24 in 2011 and including all of Georgetown County in its review, sets out as a goal to have the flow

1 currently processed at the Whites Creek – Lincolnshire WWTP diverted to Georgetown’s sewer
2 system in order to address and improve the impaired Waccamaw River by eliminated a point
3 discharge into one of its tributaries. In that regard, the Whites Creek – Lincolnshire WWTP may be
4 considered a “temporary” facility. As such, a significant investment by Carolina Water to upgrade
5 the treatment plant would be imprudent given the possibility, if not the likelihood, that the
6 Department may not renew the operating permit in the future.

7 **Q. HAS THE AGE AND CONDITION OF THE SYSTEM GIVEN RISE TO SERVICE**
8 **ISSUES?**

9 **A.** Yes. Video inspections and point repair activities have been used to identify deficiencies in
10 the system that are a result of a combination of factors including: poor construction methods and
11 materials used in developing the subdivisions; the degradation of clay pipe over time; root
12 intrusion into pipe and manhole joints; accumulation of fats, oil and grease in the piping system;
13 seasonal high water table; low elevation and flat terrain; and poor storm water conveyance
14 systems. As a result, the system suffers from excess inflow and infiltration during and after rain
15 events.

16 **Q. PLEASE DESCRIBE THE BENEFITS OF THE BULK SEWER SERVICE**
17 **AGREEMENT WITH GEORGETOWN.**

18 **A.** Once the interconnection is completed and in service, the treatment plant will no longer be in
19 use. This will eliminate a point discharge into a tributary of the Waccamaw River, an impaired
20 waterway of the state, and thus achieve a goal noted in the Section 208 Water Quality Management
21 Plan. Diverting flow to Georgetown’s regional wastewater treatment plant that is designed and
22 sized to treat the flow generated by the Whites Creek and Lincolnshire customer base will be
23 beneficial to the environment.

24 Additionally, Carolina Water Service intends to invest as much as \$900,000 in 2013 in

capital improvements to the system, exclusive of any connection fees paid to Georgetown, and inclusive of the cost to build the interconnection, decommission the treatment plant, and correct deficiencies in its collection system.

Q. WILL THE BULK SEWER SERVICE AGREEMENT WITH GEORGETOWN ADEQUATELY ADDRESS THE CURRENT WATER QUALITY PROBLEMS?

A. Yes. Diverting all flow to Georgetown will eliminate all treatment plant flow that is currently discharged into its authorized discharge point, a small creek that is a tributary to the Waccamaw River, an impaired waterway.

Q. PLEASE DESCRIBE THE PROJECT TO INTERCONNECT WITH GEORGETOWN.

A. Carolina Water intends to invest the necessary capital required to construct the interconnection with Georgetown, decommission and remove the treatment plant, and make improvements to its collection system in order to minimize any excessive inflow or infiltration into its system. It is anticipated that the total cost of this investment is \$900,000. Of that amount, the interconnection will cost an estimated \$100,000, the decommissioning of the plant will cost an estimated \$250,000 and collection system improvements will be funded by the remainder. The scope of improvements contemplated in this capital project does not include making any improvements to customers' plumbing or pipes located beyond the point of connection to Carolina Water's system. Based on observations by Carolina Water's personnel over the last few years, the condition of the customers' piping system is typically in poor condition, contains inferior pipe materials, and is a significant, but not the only, source of inflow and infiltration into Carolina Water's system.

The goal in making the improvements to the collection system is to establish a "tight" system that is not impacted by excessive inflow and infiltration on a going forward basis.

Q. WHAT IS THE STATUS OF THE ENGINEERING DESIGN, PERMITTING AND BIDDING PROCESS?

A. Carolina Water completed the design of the interconnection (with Georgetown providing input regarding the design) in January 2013. Carolina Water then submitted an application to DHEC to construct the interconnection. It is anticipated that DHEC will issue a construction permit within the next 30 days. Carolina Water will then obtain bids from qualified utility contractors within 60 days so that if and when this Application is approved by the Commission, Carolina Water will be prepared to proceed with construction soon after. It is anticipated that the construction period will take no more than 180 days followed by submittal of record drawings and certification of completion of construction to DHEC within another 30 days. Once DHEC authorizes the interconnection to be placed into service, Carolina Water will divert all of the wastewater flow to the point of connection. Thereafter, Carolina Water will begin the decommissioning and demolition process at the treatment plant in conformance with a DHEC-approved closure plan.

Q. WHAT HAPPENS IF THE BULK SEWER SERVICE AGREEMENT IS NOT APPROVED?

A. According to the terms of Consent Order 2012-012-W issued by DHEC, Carolina Water will initiate the design of an upgrade to the treatment plant sufficient to meet the permit limits contained in its current operating permit, NPDES Permit No. SC0030732. It is anticipated that the capital cost to complete this upgrade will be in the range of \$1 million.

In addition, the annual operating costs associated with the upgraded treatment plant will be substantially greater than the cost to operate the existing plant. There will be increased staffing requirements, purchased power, monitoring, repair, and maintenance costs plus other expenditures that will substantially reduce any perceived cost savings compared to the net monthly cost of bulk

sewer service provided by Georgetown.

Q. HOW DOES THE APPLICANT PROPOSE THE INTERCONNECTION COST BE TREATED IN THIS PROCEEDING?

A. Carolina Water seeks an order of this Commission authorizing Carolina Water to record all project costs, including all sewer connection fees, engineering design, permitting, and construction costs associated with the interconnection be treated as utility plant in service additions subject to review and audit by the Office of Regulatory Staff in the company's next rate proceeding. Similarly, any costs subsequently incurred to complete the decommissioning and dismantling of the existing treatment facilities would be addressed in the company's next rate proceeding as well.

Q. PLEASE DESCRIBE THE IMPACT ON A TYPICAL WHITES CREEK OR LINCOLNSHIRE CUSTOMER'S BILL IF THE APPLICATION IS GRANTED.

A. Currently, Carolina Water is charging its customers the rates placed into effect under bond in Docket No. 2011- 47 -W/S. Customers in Whites Creek and Lincolnshire now pay a flat rate of \$40.56. If the application is granted, Carolina Water's "pass through" provisions of its tariff will be applied to the customers' sewer bills. When Carolina Water's pass through rate is applied to a typical Whites Creek or Lincolnshire customer, that customer would see his bill increase on average by approximately \$12.80 per month based on 2012 plant flow data. This estimated increase reflects recent discussions held with Georgetown and ORS staff that more accurately quantify the increase, specifically to incorporate the monthly service availability charge reflected in Georgetown's current tariff. The increase reflects a reduction of the Carolina Water's charges from a flat rate of \$40.56 per month for sewer collection, treatment and disposal service to a flat rate of \$26.73 for collection services only plus the application of volumetric and non-volumetric costs passed through to the customer per Georgetown's tariff. Non-volumetric charges prorated over 250 active accounts would equal \$4.51 per month according to Georgetown's current tariff.

1 Volumetric charges would vary from month to month depending on the flow measured at the
2 metered point of connection.

3 **Q. WHAT IS YOUR RECOMMENDATION TO THIS COMMISSION CONCERNING**
4 **THE BULK SEWER SERVICE AGREEMENT WITH GEORGETOWN?**

5 **A.** I urge the Commission to grant Carolina Water's Application in this docket and approve the
6 bulk sewer service agreement with Georgetown. The bulk sewer service agreement with
7 Georgetown is in the public interest and will benefit Carolina Water's Whites Creek and
8 Lincolnshire customers and the environment.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes it does.